

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02

COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01 USIA-15

DRC-01 NEA-14 /183 W

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P 171914Z MAY 74

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 3859

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EO 11652: NA

TAGS: ENRG VE

SUBJECT: OIL COMPANY REACTION TO REVERSION SPEECH

REF: CARACAS 4420

1. EMBASSY HAS CONTACTED SENIOR OFFICIALS OF TWO LARGEST OIL COMPANIES IN VENEZUELA, CREOLE (EXXON), AND SHELL CONCERNING PRES. PEREZ' MAY 16 SPEECH ON PETROLEUM REVERSION. THEIR REACTION IS, ON THE WHOLE, FAVORABLE. PRESIDENT PEREZ DID NOT ANNOUNCE ANY NASTY SURPRISES AND ALTHOUGH HE LEFT MUCH UNSAID ABOUT DETAILS FOR IMPLEMENTATION OF PETROLEUM NATIONALIZATION, WHAT HE DID SAY SEEMED TO LEAVE OPEN POSSIBILITY FOR SIGNIFICANT CONTINUING ROLE FOR PRIVATE OIL COMPANIES AFTER NATIONALIZATION OF OIL COMPANY ASSETS.

2. CREOLE OFFICAL (DIRECTOR OF PALNNING AND COORDINATION WILMON) SAID THAT PRESIDENT PEREZ' SPEECH CONTAINED NO SURPRISES FOR THEM AND THEYFOUND IT A LITTLE HEARTENING, ESPECIALLY IN VIEW OF EXTREME PRESSURE THAT GOVERNMENT HAS BEEN UNDER FROM COPEI AND LEFTIST PARTIES TO MOVE FASTER AND STRONGER ON NATIONALIZATION.

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PRESIDENT PEREZ SHOWED, WILMON BELIEVES, THAT HE IS NOT GOING TO

BE STAMPEDED INTO ANY HASTY ACTION. WILMON BELIEVES THAT FOUR-COMPANY STRUCTURE FOR INDUSTRY, ANNOUNCED BY PRESIDENT PEREZ, LEAVES OPEN POSSIBILITY OF SOME FORM OF MIXED COMPANY. OIL COMPANIES WOULD OF COURSE TURN OVER THEIR ASSETS BUT, AS IRAN CASE HAS SHOWN, OWNERSHIP OF ASSETS IS NOT SO IMPORTANT AS HAVING RIGHT TO DERIVE ECONOMIC BENEFIT FROM USE OF ASSETS. WILMON MADE NO COMPLAINT ABOUT CONCEPT OF BASING COMPENSATION TO COMPANY'S NET ASSET VALUE AND PAYING IT IN GOVERNMENT BONDS. ANY AMOUNTS DUE TO WORKERS AND EMPLOYEES AS RESULT OF PENSION OR SEPARATION RIGHTS WILL HAVE TO BE DEDUCTED FROM COMPENSATION, ACCORDING TO PRESIDENT PEREZ' ANNOUNCEMENT, BUT WILMON SAID THAT THIS WOULD CREATE NO PARTICULAR PROBLEM AS A NUMBER OF OIL COMPANIES (INCLUDING CREOLE, SHELL AND MOBIL) HAVE ALREADY CREATED SPECIAL BANK DEPOSITS IN NAME OF EMPLOYEES WHICH CONTAIN ABOUT HALF OF AMOUNTS PAYABLE TO EMPLOYEES.

3. SHELL OFFICIAL (GOVERNMENT RELATIONS DIRECTOR RICHARD IRVING) WAS VERY FAVORABLY IMPRESSED BY PRESIDENT PEREZ' SPEECH. HE THOUGHT IT LED OFF HARD AND IN A GOOD DIRECTION. HE OBSERVED HOWEVER THAT MUCH THAT PRESIDENT SAID REQUIRES FURTHER DEFINITION. PRESIDENT PEREZ LEFT WHOLE QUESTION OF ROLE OF PRIVATE COMPANIES AFTER NATIONALIZATION "VERY, VERY CAREFULLY VAGUE." IRVING OBSERVED THAT FOUR NEW PETROLEUM ENTERPRISES TO BE CREATED ARE TO BE "REPOSITORIES OF ASSETS" OF EXISTING COMPANIES. HE DID NOT ASSUME THEREFORE THAT THEY COULD BE SEEN AS MIXED COMPANIES. HOWEVER, THEY WOULD "KEEP THE WORKING TEAMS TOGETHER" AT LEAST INsofar AS THREE LARGEST COMPANIES ARE CONCERNED, AND WOULD PROVIDE SCOPE FOR SOME FORM OF CONTINUING ROLE, YET TO BE DEFINED, FOR PRIVATE COMPANIES. IRVING FOUND PRESIDENT PEREZ' SPEECH TO BE "A VERY BALANCED, MEASURED PIECE" WHICH APPEARED TO HAVE BEEN DELIBERATELY DEVELOPED AS A HISTORICAL DOCUMENT FOR NATION AND FOR ACCION DEMOCRATICA PARTY. MCCLINTOCK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, INDEMNIFICATION, GOVERNMENT CORPORATIONS, JOINT VENTURES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974CARACA04458
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740123-0095
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740540/aaaabixz.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: CARACAS 4420
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 23 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 SEP 2002 by boyleja>; APPROVED <10 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL COMPANY REACTION TO REVERSION SPEECH
TAGS: ENRG, VE, US, EXXON, SHELL OIL CO
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005